Sedibeng District Municipality

Financial statements

for the year ended 30 June, 2015

General Information

Nature of business and principal activities	District Municipality – DC4
Capacity of Municipality	Medium term capacity Municipality
Accounting Officer	Mr Yunus Chamda
Chief Financial Officer	Mr Brendon Scholtz
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	Standard Bank
Auditors	Auditor General
Executive Mayor	Councilor MS Mofokeng
Speaker	Councilor BJ Modisakeng
Chief Whip	Councilor MC Sale
Members of Mayoral Committee	Councilor PB Tsotetsi Councilor ME Tsokolibane Councilor TS Maphalla Councilor B Mncube Councilor MM Gomba Councilor MD Rakane Councilor YJ Mahommed Councilor SA Mshudulu

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MMC	Member of the Mayoral Committee
MFMA Act	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment
SCM	Supply Chain Management

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The financial statements set out on pages 4 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2015 and were signed on its behalf by:

Mr. Yunus Chamda
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2015.

1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

2. Going concern

We draw attention to the fact that at 30 June, 2015, the municipality had accumulated surplus of R 92,421,980 and that the municipality's total Assets exceed its liabilities by R 92,421,980.

The ability of the municipality to continue as a going concern is dependent on a number of factors. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr Yunus Chamda	RSA

5. Bankers

Standard Bank has been appointed in the previous financial year as the Municipality’s banker

6. Auditors

Auditor General will continue in office for the next financial period.

7. Cost cutting measures

Following the decline in equitable share growth, global economic crisis and in line with MFMA Circular 48, the executive management of Sedibeng District Municipality had taken the decision to make conscientious efforts to increase revenue and decrease operating expenses by:

Increasing revenue through	**Cost containment measures**
• Optimizing all revenue streams; • Reviewing billing processes; • Rigorously applying credit control; • Institutionalising discussion on under-provision of equitable share	• Educating staff to be more conscientious • Better cash management • Claiming discounts from creditors/ suppliers • Tightening internal control measures and SCM processes • Value-for-money spending and application of economies-of-scale procurement • Closer monitoring of repairs & maintenance will lead to reduction in productivity losses • Reducing & reviewing discretionary spending

Statement of Financial Position as at 30 June, 2015

Figures in Rand	Note(s)	2015	2014 as restated
Assets			
Current Assets			
Inventories	6	351,307	382,653
Receivables from exchange transactions	7	12,626,517	9,980,500
VAT receivable	8	1,737,728	-
Construction of assets in progress	5	2,235,162	10,206,208
Cash and cash equivalents	9	10,414,507	14,975,752
		27,365,221	**35,545,113**
Non-Current Assets			
Property, plant and equipment	2	151,954,779	165,758,848
Intangible assets	3	1,636,268	1,474,430
Heritage assets	4	4,462,880	4,462,880
		158,053,927	**171,696,158**
Total Assets		**185,419,148**	**207,241,271**
Liabilities			
Current Liabilities			
Finance lease obligation	10	43,460	247,199
Payables from exchange transactions	13	72,793,919	91,687,620
VAT payable	14	-	290,764
Unspent conditional grants and receipts	11	19,972,179	14,667,519
Provisions	12	187,610	1,245,029
Total Current Liabilities		**92,997,168**	**108,138,131**
Non-Current Liabilities			
Finance lease obligation	10	-	43,460
Total Non-Current Liabilities			**43,460**
Total Liabilities		**92,997,168**	**108,181,591**
Net Assets		**92,421,980**	**99,059,680**
Net Assets			
Accumulated surplus		92,421,980	99,059,680

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 as restated
Revenue			
Sale of goods		2,416,400	3,661,592
Rental of facilities and equipment		8,927,595	8,928,134
Agency services		6,613,396	6,553,216
Licenses and permits		56,875,639	51,333,407
Other income	16	26,761,709	1,101,699
Interest received - investment	17	2,700,346	1,711,469
Government grants & subsidies	19	260,478,021	254,091,689
Total revenue		**364,773,106**	**327,381,206**
Expenditure			
Employee related costs	20	(209,350,369)	(200,806,522)
Remuneration of councillors	21	(11,481,004)	(10,709,156)
Depreciation and amortisation	22	(28,583,637)	(28,018,728)
Finance costs	23	(16,580)	(38,340)
Lease rentals on operating lease		(7,008,007)	(6,515,033)
Debt Impairment Inventory	24	(41,334)	(66,567)
Public participation		(231,773)	(8,450)
Repairs and maintenance		(4,108,494)	(4,316,120)
Contracted services	25	(35,947,703)	(38,159,021)
Transfers and Subsidies	18	(9,907,635)	(11,145,127)
Sale of goods/Inventory	27	(2,177,189)	(3,233,650)
General Expenses	26	(62,081,591)	(60,652,954)
Total expenditure		**(370,935,386)**	**(363,669,668)**
Operating deficit		**(6,162,280)**	**(36,288,462)**
Gain (loss) on disposal of assets and liabilities		58,372	(134,381)
Deficit for the year		**(6,103,908)**	**(36,422,843)**

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		135,641,417	135,641,417
Adjustments (Change in accounting policy)	33.2	4,462,880	4,462,880
Correction of errors	33.1	(4,328,775)	(4,328,775)
Balance at 1 July, 2013 as restated*		**135,775,522**	**135,775,522**
Changes in net assets			
Transfer from / (to) reserves		(292,999)	(292,999)
Net income (losses) recognised directly in net assets		(292,999)	(292,999)
Surplus (Deficit) for the year		(36,422,843)	(36,422,843)
Total recognised income and expenses for the year		(36,715,842)	(36,715,842)
Opening balance as previously reported		107,334,021	107,334,021
Adjustments (Change in accounting policy)	33.2	4,462,880	4,462,880
Correction of errors	33.1	(12,737,220)	(12,737,220)
Balance at 1 July, 2014 as restated*		**99,059,681**	**99,059,681**
Changes in net assets			
Surplus (Deficit) for the year		(6,103,908)	(6,103,908)
Transfer from / (to) reserves		(533,793)	(533,793)
Total recognised income and expenses for the year		(6,637,701)	(6,637,701)
Balance at 30 June, 2015		**92,421,980**	**92,421,980**

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 as restated
Cash flows from operating activities			
Receipts			
Grants		265,962,681	260,904,530
Interest income		2,700,346	1,711,469
Other receipts		31,178,146	15,355,835
License Receipts		273,173,498	203,482,157
		573,014,671	481,453,991
Payments			
Employee costs		(220,831,374)	(211,057,771)
Suppliers		(169,433,070)	(125,226,936)
Licensing Authority		(171,636,892)	(119,765,596)
		(561,901,336)	(456,050,303)
Net cash flows from operating activities	29	**11,113,335**	**25,403,688**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(14,638,343)	(16,091,545)
Proceeds from sale of property, plant and equipment	2	264,769	165,242
Purchase of other intangible assets	3	(1,037,227)	(1,153,683)
Net cash flows from investing activities		**(15,410,801)**	**(17,079,986)**
Cash flows from financing activities			
Finance lease payments		(263,779)	(263,779)
Net increase/(decrease) in cash and cash equivalents		**(4,561,246)**	**8,059,924**
Cash and cash equivalents at the beginning of the year		14,975,752	6,915,829
Cash and cash equivalents at the end of the year	9	**10,414,506**	**14,975,753**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	3,080,700	(37,800)	**3,042,900**	2,416,400	**(626,500)**	
Rental of facilities and equipment	9,533,472	(692,659)	**8,840,813**	8,927,595	**86,782**	
Agency services	6,740,114	(311,134)	**6,428,980**	6,613,396	**184,416**	
Licenses and permits	69,102,542	(899,996)	**68,202,546**	56,875,639	**(11,326,907)**	
Other income - (rollup)	6,505,099	19,794,407	**26,299,506**	26,761,709	**462,203**	
Interest received - investment	2,199,236	-	**2,199,236**	2,700,346	**501,110**	
Total revenue from exchange transactions	**97,161,163**	**17,852,818**	**115,013,981**	**104,295,085**	**(10,718,896)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	251,597,000	13,133,000	**264,730,000**	260,478,021	**(4,251,979)**	
Total revenue	**348,758,163**	**30,985,818**	**379,743,981**	**364,773,106**	**(14,970,875)**	
Expenditure						
Personnel	(207,256,301)	588,546	**(206,667,755)**	(209,350,369)	**(2,682,614)**	
Remuneration of councillors	(11,580,705)	(225,468)	**(11,806,173)**	(11,481,004)	**325,169**	
Depreciation and amortisation	(26,766,440)	-	**(26,766,440)**	(28,583,637)	**(1,817,197)**	
Finance costs	-	-	**-**	(16,580)	**(16,580)**	
Lease rentals on operating lease	(6,801,550)	(1,444,906)	**(8,246,456)**	(7,008,077)	**1,238,379**	
Public Participation	-	-	**-**	(41,334)	**(41,334)**	
Public Participation	(1,260,540)	1,028,758	**(231,782)**	(231,773)	**9**	
Repairs and maintenance	(3,972,721)	(1,572,632)	**(5,545,353)**	(4,108,494)	**1,436’859**	
Contracted Services	(35,567,208)	(1,150,552)	**(36,717,760)**	(35,947,703)	**770,057**	
Transfers and Subsidies	(1,365,000)	(1,400,000)	**(2,765,000)**	(9,907,635)	**(7,142,635)**	
Sale of goods/Inventory	(2,646,000)	-	**(2,646,000)**	(2,177,189)	**468,811**	
General Expenses	(51,588,810)	(26,769,964)	**(78,358,774)**	(62,081,591)	**16,277,183**	
Total expenditure	**(348,805,275)**	**(30,946,218)**	**(379,751,493)**	**(370,935,386)**	**8,816,107**	
Operating deficit	**(47,112)**	**39,600**	**(7,512)**	**(6,162,280)**	**(6,154,768)**	
Gain on disposal of assets and liabilities	87,500	-	**87,500**	58,372	**(29,128)**	
Deficit before taxation	**40,388**	**39,600**	**79,988**	**(6,103,908)**	**(6,183,896)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**40,388**	**39,600**	**79,988**	**(6,103,908)**	**(6,183,896)**	

Sedibeng District Municipality
Financial Statements for the year ended 30 June, 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	351,307	**351,307**	
Receivables from exchange transactions	43,990,203	-	**43,990,203**	12,626,517	**(31,363,686)**	
VAT receivable	-	-	**-**	1,737,728	**1,737,728**	
Construction of assets in progress	-	-	**-**	2,235,162	**(2,235,162)**	
Cash and cash equivalents	33,125,000	(8,111,256)	**25,013,744**	10,414,507	**(14,599,237)**	
	77,115,203	**(8,111,256)**	**69,003,947**	**27,365,221**	**(41,638,726)**	
Non-Current Assets						
Property, plant and equipment	117,140,557	(429,300)	**116,711,257**	151,954,779	**35,243,522**	
Intangible assets	2,320,000	-	**2,320,000**	1,636,268	**(683,732)**	
Heritage assets				4,462,880	**4,462,880**	
	119,460,557	**(429,300)**	**119,031,257**	**158,053,927**	**39,022,670**	
Total Assets	**196,575,760**	**(8,540,556)**	**188,035,204**	**185,419,148**	**(2,616,056)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	43,460	**43,460**	
Payables from exchange transactions	64,483,000	(13,886,441)	**50,596,559**	72,793,919	**22,197,360**	
Unspent conditional grants and receipts	-	-	**-**	19,972,179	**19,972,179**	
Provisions	2,027,617	-	**2,027,617**	187,610	**(1,840,007)**	
	66,510,617	**(13,886,441)**	**52,624,176**	**92,997,168**	**40,372,992**	
Total Liabilities	**66,510,617**	**(13,886,441)**	**52,624,176**	**92,997,168**	**40,372,992**	
Net Assets	**130,065,143**	**5,345,885**	**135,411,028**	**92,421,980**	**(42,989,048)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	130,065,143	5,345,885	**135,411,028**	92,421,980	**(42,989,048)**	
Total Net Assets	**130,065,143**	**5,345,885**	**135,411,028**	**92,421,980**	**(42,989,048)**	

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

GRAP 1 -	Presentation of financial statements
GRAP 2 -	Cash flow statements
GRAP 3 -	Accounting policies, changes in accounting estimates and errors
GRAP 4 -	The effects of changes in foreign exchange rates
GRAP 5 -	Borrowing costs
GRAP 6 -	Consolidated and separate financial statements
GRAP 7 -	Investments in associates
GRAP 8 -	Interest in joint ventures
GRAP 9 -	Revenue from exchange transactions
GRAP 10 -	Financial reporting in hyperinflationary economies
GRAP 11 -	Construction contracts
GRAP 12 -	Inventories
GRAP 13 -	Leases
GRAP 14 -	Events after the reporting date

GRAP 16 -	Investment property
GRAP 17 -	Property, plant and equipment
GRAP 19 -	Provisions, contingent liabilities and contingent assets
GRAP 20 -	Related party disclosure
GRAP 21 -	Impairment of non-cash generating assets
GRAP 23 -	Revenue from non-exchange transactions
GRAP 24 -	Presentation of budget information
GRAP 25 -	Employee Benefits
GRAP 26 -	Impairment of cash generating assets
GRAP 31 -	Intangible assets
GRAP 103 -	Heritage assets
GRAP 104 -	Financial instruments
GRAP 100 -	Discontinued operations
GRAP 101 -	Agriculture

The following GRAP statements have been approved but are not yet effective:

GRAP 18 -	Segment reporting
GRAP 105 -	Transfer of functions between entities under common control
GRAP 106 -	Transfer of functions between entities not under common control
GRAP 107 –	Mergers
GRAP 32 –	Service Concession Arrangements: Grantor
iGRAP 17 –	Service concession arrangements where a grantor controls a significant residual interest in an asset
Directive 11 -	Changes in measurement bases following the initial adoption of standards of GRAP

Offsets

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

1.3.1 Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2, 3 & 4: PPE, Intangible assets and Heritage assets useful lives estimates

Note 12: Provisions

Note 28: Contingencies

Note 10: Lease classification

Note 24: Debt Impairment

1.4 GOVERNMENT GRANT

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.5 PROPERTY, PLANT & EQUIPMENT

1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is available for use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

1.5.2 De-recognition, Sale & Disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Infrastructure Assets	**Years**
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 – 20

Community Assets	**Years**
Parks and gardens	10 -30
Sport fields	20 – 30
Community halls	30
Recreation facilities	20 – 30

Other Assets	**Years**
Motor vehicles	5
Plant and equipment	2 – 15
Security measures	3 – 10
Buildings	30
IT equipment	3 – 5

Office equipment	3 – 7
Specialised vehicles	10

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

Item	**Useful Life**
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

1.7 IMPAIRMENT OF FINANCIAL ASSETS

Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.9 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre specified terms and conditions.

Loans payable are financial liabilities, other than short term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non derivative financial assets or non derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking;
  - non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.10 INVENTORIES

Inventories are initially measured at cost, where cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post–retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been

quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the Standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliable.

1.14.2 Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.14.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as they are not under common control, except where there exist a service level agreement to perform a specific function on

behalf of the other municipality.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, *“A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls.”* Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation**.**

1.22 HERITAGE ASSETS

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations. The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of a purchased heritage asset comprises:

- Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.
- Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.
- Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.
- The entity derecognises heritage asset on disposal, or when no service potential are expected from its use or disposal.
- The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.23 BUDGET INFORMATION

The municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2014 to 30 Jun 2015.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (see page 9 - 10)

Notes to the Financial Statements

Figures in Rand 2015 2014 as restated

2. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	41,907,735	(608,655)	41,299,080	41,907,735	(608,655)	41,299,080
Buildings	72,866,451	(15,443,900)	57,422,551	72,866,451	(13,053,074)	59,813,377
Furniture and fixtures	17,125,656	(13,632,609)	3,493,047	16,661,339	(12,421,640)	4,239,699
Motor vehicles	10,058,699	(8,038,186)	2,020,513	9,950,757	(7,462,700)	2,488,057
Electronic equipment	66,780,992	(36,162,398)	30,618,594	57,476,083	(27,756,454)	29,719,629
Infrastructure	73,791,814	(58,657,794)	15,134,020	73,086,922	(46,533,260)	26,553,662
Other property, plant and equipment	9,158,494	(7,648,653)	1,509,841	8,803,182	(7,645,254)	1,157,928
Specialised vehicles	699,972	(242,839)	457,133	699,972	(212,556)	487,416
Total	**292,389,813**	**(140,435,034)**	**151,954,779**	**281,452,441**	**(115,693,593)**	**165,758,848**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	41,299,080	-	-	-	41,299,080
Buildings	59,813,377	-	-	(2,390,826)	57,422,551
Furniture and fixtures	4,239,699	764,865	(35,349)	(1,476,168)	3,493,047
Motor vehicles	2,488,057	229,045	(12,108)	(684,481)	2,020,513
Electronic equipment	29,719,629	11,951,221	(153,515)	(10,898,741)	30,618,594
Infrastructure	26,553,662	704,893	-	(12,124,535)	15,134,020
Other property, plant and equipment	1,157,928	988,319	(5,425)	(630,981)	1,509,841
Specialised vehicles	487,416	-	-	(30,283)	457,133
	165,758,848	**14,638,343**	**(206,397)**	**(28,236,015)**	**151,954,779**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	41,299,080	-	-	-	41,299,080
Buildings	62,251,785	-	-	(2,438,408)	59,813,377
Furniture and fixtures	5,145,237	903,134	(20,659)	(1,788,013)	4,239,699
Motor vehicles	3,284,911	215,754	(192,716)	(819,892)	2,488,057
Electronic equipment	25,752,756	13,538,645	(86,248)	(9,485,524)	29,719,629
Infrastructure	37,932,285	1,272,489	-	(12,651,112)	26,553,662
Other property, plant and equipment	1,669,327	161,523	-	(672,922)	1,157,928
Specialised vehicles	517,697	-	-	(30,281)	487,416
	177,853,078	**16,091,545**	**(299,623)**	**(27,886,152)**	**165,758,848**

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	7,031,800	(5,395,532)	1,636,268	5,994,573	(4,520,143)	1,474,430

Reconciliation of intangible assets - 2015

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	1,474,430	1,037,227	(875,389)	1,636,268

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	987,106	1,153,683	(666,359)	1,474,430

4. Heritage assets

	2015			2014		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	1,076,880	-	1,076,880	1,076,880	-	1,076,880
Historical monuments	3,386,000	-	3,386,000	3,386,000	-	3,386,000
Total	**4,462,880**	**-**	**4,462,880**	**4,462,880**	**-**	**4,462,880**

Reconciliation of heritage assets 2015

	Opening balance	**Total**
Art Collections, antiquities and exhibits	1,076,880	1,076,880
Historical monuments	3,386,000	3,386,000
	4,462,880	**4,462,880**

Reconciliation of heritage assets 2014

	Opening balance	**Total**
Art Collections, antiquities and exhibits	1,076,880	1,076,880
Historical monuments	3,386,000	3,386,000
	4,462,880	**4,462,880**

Due to initial adoption of GRAP 103

A service provider with heritage knowledge was appointed to establish the values of the heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103. Initial adoption was done retrospectively.

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated

5. Construction of assets in progress

Various Sports fields - Lesedi		5,283,126
Sebokeng cultural precinct		4,361,964
Sharpeville police station	561,118	561,118
Construction community sidewalks zone 14	1,247,495	
Installation of street lights Zone 14	426,550	
	2,235,162	**10,206,208**

The Sharpeville police station transaction needs finalization from the Local Municipality before final transfer can take place which is anticipate to take place in the 2015/16 financial year.

6. Inventories

Fuel – Airport	351,307	382,653

Both AVGAS and JET A1 are sold at the Vereeniging Aerodrome

7. Receivables from exchange transactions

Trade debtors	6,092,369	992,163
Employee costs in advance	-	127,586
VAT on Accruals	3,602,696	3,203,312
SETA Refund	145,068	1,392,852
Recoverable fruitless and wasteful expenditure	143,141	198,985
Bank Error	-	17,342
Local Municipalities - Agency services	2,536,827	3,765,080
Lotto Sport Bridging Finance	-	283,180
HIV and AIDS Bridging Finance	45,671	-
EPWP Bridging Finance	60,745	-
	12,626,517	**9,980,500**

Trade debtors		
Current (0 – 30 days)	5,946,414	738,265
31 – 60 days	-	-
61 – 90 days	-	-
>91	145,955	253,898
Less: Provision for Debt Impairment	-	-
Total Trade Debtors	**6,092,369**	**992,163**

Employee cost in advance		
Current (0 – 30 days)	-	127,586

VAT on Accruals		
Current (0 – 30 days)	1,900,429	1,505,401
>91 days	1,697,911	1,697,911
Total VAT on Accruals	**3,598,340**	**3,203,312**

SETA Refunds		
Current(0-30 days)	145,068	338,762
>120 days	0	1,054,089
Total SETA Refunds	**145,068**	**1,392,851**

Recoverable fruitless and wasteful expenditure		
Current (0 – 30 days)	143,141	198,985

Bank Error		
Current (0 – 30 days)	-	17,342

Local Municipalities Agency services

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated
Current (0 – 30 days)	856,581	678,310
31 – 60 days	564,768	550,717
61 – 90 days	-	521,185
91 – 120 days	-	540,552
>120 days	1,115,478	1,474,316
Total Local Municipalities Agency services	**2,536,827**	**3,765,080**
Paving Sidewalk (SANRAL)		
>365 days	-	1,007,843
Less: Provision for Debt Impairment	-	-1,007,843
Total-Paving Sidewalk (SANRAL)	-	-
Lotto Greening Project		
>365 days	-	1,004,283
Less: Provision for Debt Impairment	-	-1,004,283
Total Lotto Greening Project	-	-
Lotto Sport Bridging Finance		
Current (0 – 30 days)	-	283,180
HIV & AIDS Bridging Finance		
Current (0 – 30 days)	45,671	-
EPWP Bridging Finance		
Current (0 – 30 days)	60,745	-

8. VAT receivable

VAT	1,737,728	-

Council is registered on the cash basis for VAT, This amount is due from SARS based on submitted returns

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42,325	42,325
Cash book balances	10,136,661	14,706,973
Investment deposits	235,521	226,454
	10,414,507	**14,975,752**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2015	30 June, 2014	30 June, 2013	30 June, 2015	30 June, 2014	30 June, 2013
ABSA BANK - Previous Primary Account	283,245	1,243,172	1,981,957	283,245	1,198,396	1,952,861
ABSA BANK - Licensing Function	727,895	6,188,257	3,425,210	727,895	6,188,257	4,015,103
STANDARD BANK - Primary Account	2,562,246	1,230,793	-	2,501,900	1,230,793	-
STANDARD BANK - Licensing Account	6,623,621	6,089,527	-	6,623,621	6,089,527	-
Total	**10,197,007**	**14,751,749**	**5,407,167**	**10,136,661**	**14,706,973**	**5,967,964**

Figures in Rand	2015	2014 as restated

10. Finance lease obligation

Minimum lease payments due		
- within one year	43,460	263,779
- in second to fifth year inclusive	-	43,963
	43,460	307,742
less: future finance charges	-	(17,083)
Present value of minimum lease payments	**43,460**	**290,659**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2014: 9%).

Interest rates are at the contract date.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial Grants	14,034,791	1,197,243
National Grants	4,656,809	12,189,697
DPLG Grants	1,280,579	1,280,579
	19,972,179	**14,667,519**

Movement during the year

Balance at the beginning of the year	14,667,519	9,824,678
Additions during the year	26,243,681	28,119,530
Income recognition during the year	(20,939,021)	(21,291,689)
Grant Reversal / forfeit	-	(1,985,000)
	19,972,179	**14,667,519**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

12. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Total
Performance Bonus	1,245,029	(1,057,419)	187,610

Reconciliation of provisions - 2014

	Opening Balance	Utilised during the year	Total
Performance Bonus	1,926,700	(681,671)	1,245,029

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated

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13. Payables from exchange transactions

Trade payables	7,678,529	8,314,450
Accrued leave pay	15,856,635	14,901,272
Department of Transport (License fees)	17,681,655	29,621,195
Local Municipalities Accounts	8,271,776	9,837,076
SALA Pension Fund	-	2,667,996
Retention on Capital Projects	807,954	1,188,888
Insurance Claims	175,961	134,673
Mayoral Event	98,800	98,800
Ambulance fees in advance	84,445	84,445
Refundable town hall rental deposits	127,046	133,482
Unclaimed Salaries	49,896	36,632
Salaries in arrears	69,382	29,991
Unknown deposits	254,737	254,737
Deferred Asset Transfer to Locals	2,235,162	10,206,208
Department of Transport (Arrears)	19,095,958	13,825,849
VAT on Debtors	305,981	351,927
	72,793,919	**91,687,620**

14. VAT payable

Tax refunds payables	-	290,764

15. Revenue

Sale of goods	2,416,400	3,661,592
Rental of facilities and equipment	8,927,595	8,928,134
Agency services	6,613,396	6,553,216
Licenses and permits	56,875,639	51,333,407
Other income	26,761,709	1,101,699
Interest received - investment	2,700,346	1,711,469
Government grants & subsidies	260,478,021	254,091,689
	364,773,106	**327,381,206**

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	2,416,400	3,661,592
Rental of facilities and equipment	8,927,595	8,928,134
Agency services	6,613,396	6,553,216
Licenses and permits	56,875,639	51,333,407
Other income	26,761,709	1,101,699
Interest received - investment	2,700,346	1,711,469
	104,295,085	**73,289,517**

The amount included in revenue arising from non-exchange transactions is as follows:
Taxation revenue
Transfer revenue

Government grants & subsidies	260,478,021	254,091,689

16. Other income

Communication Centre fees recovered	744,484	-
Ad-hoc Income	25,353,291	279,421
Skills Levy Income	288,679	338,762

Figures in Rand	2015	2014 as restated
Tender Income	167,458	167,170
Commission on Salaries	175,349	166,117
Telephone Cost recovered	32,448	150,229
	26,761,709	**1,101,699**

Ad-hoc income reflect an amount of R25 million rand received from a contingent asset related to Emergency Medical services. This amount is recognized in terms of GRAP19.

17. Investment revenue

Interest revenue		
Bank	2,700,346	1,711,469

18. Grants and subsidies paid

Other subsidies		
Grants paid to Local Municipalities	9,907,635	11,145,127

19. Government grants and subsidies received

Operating grants		
Equitable share	239,539,000	232,785,000
Support Grants	20,939,021	21,306,689
	260,478,021	**254,091,689**

Equitable Share

Current-year receipts	(239,539,000)	(232,785,000)
Conditions met - transferred to revenue	239,539,000	232,785,000
	-	-

Provincial Grants

Balance unspent at beginning of year	1,197,243	7,416,439
Current-year receipts	22,694,681	9,789,530
Conditions met - transferred to revenue	(9,857,133)	(15,003,626)
Grant Reversal	-	(1,005,100)
	14,034,791	**1,197,243**

Conditions still to be met - remain liabilities (see note 11).

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2014	**Grants Received 2014/15**	**Grants Spent 2014/15**	**Unspent Grants June 2015**
LED Project	281,747		(15,000)	266,747
HIV/AIDS	67,571	6,623,429	(6,691,000)	0.00
Impl Tourism Inst Framework	305,198	-	(300,000)	5,198
Establishment of Shared Services	350,000	-	-	350,000
Agriculture	-	818,452	(818,452)	-

Notes to the Financial Statements

Figures in Rand | 2015 | 2014 as restated

	Opening Balance July 2014	Grants Received 2014/15	Grants Spent 2014/15	Unspent Grants June 2015
Transfer of Informal Settlements	-	13,132,800	-	13,132,800
LOTTO – Sport	-	1,030,000	(942,681)	87,319
EPWP Grant	-	1,000,000	(1,000,000)	-
Craft Hub Establishment	153,999	-	-	153,999
Tourism awards	-	90,000	90,000	-
Tourism Birding Route	38,728	-	-	38,728
	1,197,243	**22,694,681**	**(9,857,133)**	**14,034,791**

National Grants

	2015	2014 as restated
Balance unspent at beginning of year	12,189,697	991,449
Current-year receipts	3,549,000	18,345,000
Conditions met - transferred to revenue	(11,081,888)	(6,166,852)
Grant Reversal / Forfeit	-	(979,900)
	4,656,809	**12,189,697**

Conditions still to be met - remain liabilities (see note 11).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2014	Grants Received 2014/15	Grants Spent 2014/15	Unspent Grants June 2015
Urban Environmental Management Program (DANIDA)	10,615		-	10,615
Municipal Improvement Systems Grant	186,690	934,000	(1,115,712)	4,978
Municipal Finance Management Grant	-	1,250,000	(1,250,000)	-
NDPG Project	11,992,392	1,365,000	(8,716,176)	4,772,031
	12,189,697	**3,549,000**	**(11,081,888)**	**4,656,809**

DLG Grants

	2015	2014 as restated
Balance unspent at beginning of year	1,280,579	1,416,790
Conditions met - transferred to revenue	-	(136,211)
	1,280,579	**1,280,579**

Conditions still to be met - remain liabilities (see note 11).
Reconciliation of Unspent Conditional Grants

Figures in Rand			2015	2014 as restated

	Opening Balance July 2014	Grants Received 2014/15	Grants Spent 2014/15	Unspent Grants June 2015
Sharpeville Public Library	462,406		-	462,406
Environmental	121,474		-	121,474
Construction Of Tea-Tea Road	627,899		-	627,899
Tourism Awards	68,800		-	68,800
	1,280,579		**-**	**1,280,579**

Changes in level of government grants.

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. Employee related costs

	2015	2014
Employee related cost exclusive of Section 57 employees	127,935,019	125,179,249
Medical aid - company contributions	12,027,739	11,093,322
UIF	980,046	989,810
WCA	1,186,855	1,432,761
SDL	1,762,756	1,693,812
Other payroll levies	2,308,001	2,228,041
Leave pay provision charge	3,340,027	1,232,916
Defined contribution plans	25,476,252	25,368,507
Overtime payments	4,512,410	4,381,730
13th Cheques	9,696,703	9,289,000
Car allowance	9,166,471	9,509,723
Housing benefits and allowances	890,200	868,303
Telephone Allowances	84	505
Standby Allowance	658,506	562,849
	199,941,069	**193,830,528**

Remuneration of Municipal Manager

	2015	2014
Annual Remuneration	1,214,670	1,129,529
Car Allowance	119,784	119,784
Performance Bonuses	233,320	-
Contributions to UIF, Medical and Pension Funds	109,977	103,391
Other	-	61,001
	1,677,751	**1,413,705**

Remuneration of Chief Financial Officer

	2015	2014
Annual Remuneration	785,171	724,917
Car Allowance	144,000	144,000
Performance Bonuses	198,235	-
Contributions to UIF, Medical and Pension Funds	209,715	197,364
Other	4,800	4,800
	1,341,921	**1,071,081**

Remuneration of Executive Directors

	2015	2014
Annual Remuneration	3,438,325	2,587,695
Car Allowance	532,357	364,000
Performance Bonuses	424,300	-

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated
Contributions to UIF, Medical and Pension Funds	520,373	333,523
Other	28,419	12,000
	4,943,774	**3,297,218**

Remuneration of Chief Operating Officer

Annual Remuneration	1,215,783	1,138,479
Performance Bonuses	170,914	-
Contributions to UIF, Medical and Pension Funds	59,157	55,511
	1,445,854	**1,193,990**
Total personnel cost	**209,350,369**	**200,806,522**

21. Remuneration of councillors

Executive Major	798,378	754,914
Mayoral Committee Members	5,147,588	4,854,411
Speaker	651,233	614,786
Councillors	3,488,978	3,194,868
Councilors' pension contribution	980,957	913,670
Housing Allowance	38,246	-
Telephone Allowance	375,624	376,507
	11,481,004	**10,709,156**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards

22. Depreciation and amortisation

Property, plant and equipment	27,708,248	27,352,369
Intangible assets	875,389	666,359
	28,583,637	**28,018,728**
Offset depreciation against Government grant reserve	527,767	533,781
	29,111,404	**28,552,509**

23. Finance costs

Finance leases	16,580	38,340

24. Debt impairment

Debt impairment	41,334	66,567

25. Contracted services

Specialist Services	16,706,557	17,286,308
Other Contractors	19,241,146	20,872,713
	35,947,703	**38,159,021**

Notes to the Financial Statements

Figures in Rand	2015	2014 as restated

26. General expenses

Advertising	1,154,790	641,358
Assessment rates & municipal charges	1,561,514	1,538,177
Auditors remuneration	2,627,279	2,158,221
Bank charges	810,205	1,052,485
Computer expenses	1,320,331	1,348,291
Consulting and professional fees	5,656,097	5,931,535
Consumables	913,112	895,661
Entertainment	20,165	517,013
Insurance	2,065,042	1,962,719
Magazines, books and periodicals	211,643	227,937
Fuel and oil	1,490,302	1,549,041
Postage and courier	2,321	2,097
Printing and stationery	1,932,684	2,049,085
Promotions	1,177,528	999,699
Protective clothing	267,134	221,068
Royalties and license fees	4,925,920	4,176,777
Staff welfare	242,437	283,953
Subscriptions and membership fees	2,156,290	1,880,297
Telephone and fax	2,459,846	3,620,806
Training	1,925,735	3,032,427
Subsistence & Travel	2,048,534	2,026,061
Office refreshments	422,375	412,962
Workshops	13,560,250	10,263,352
Congresses & Meetings	216,563	430,441
Expenses from Grants	9,817,616	11,589,672
External Bursaries	636,850	696,305
Donations & Grants	335,545	299,173
Catering Expenses	2,123,483	846,341
	62,081,591	**60,652,954**

27. Cost of sales

Sale of goods		
Cost of Aviation fuel	2,177,189	3,233,650

Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome.

28. Auditors' remuneration

Fees	2,627,279	2,158,221

29. Cash generated from operations

Deficit	(6,103,908)	(36,422,843)
Adjustments for:		
Depreciation & Amortisation	28,583,637	28,018,728
Loss / (Gain) on sale of assets and liabilities	(58,372)	134,381
Finance costs - Finance leases	16,580	38,340
Debt impairment Inventory	41,334	66,567
Movements in provisions	(1,057,419)	(681,671)
Asset Movement GGR	(6,027)	240,779
Changes in working capital:		
Inventories	31,346	(162,563)
Receivables from exchange transactions	(2,654,304)	61,165
Debt impairment inventory	(41,334)	(66,567)
Assets under construction	7,971,046	(8,504,487)
Payables from exchange transactions	(18,893,699)	36,925,997
VAT	(2,028,492)	918,521

Figures in Rand	2015	2014 as restated
Unspent conditional grants and receipts	5,304,660	4,837,841
	11,113,335	**25,403,688**

30. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-part Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ong basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Indivi risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate

Categories of Financial Instruments

Financial Assets		
Cash and cash equivalents	10,414,507	14,975,752
Inventories	351,307	382,653
Trade and other receivables from exchange transactions	12,626,517	9,980,500
VAT Receivable	1,737,728	-
	25,130,059	**25,338,905**
Financial Liabilities		
Unspent conditional grants and receipts	19,972,179	14,667,519
Provisions	187,610	1,245,029
VAT Payable	-	290,764
Finance lease obligation	43,460	290,659
Trade and other payables from exchange transactions	70,558,757	81,481,412
Total Liabilities	**90,762,006**	**97,975,383**

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

	2015		**2014**	
Floating Rate Financial Assets	**Rate %**	**Effect on Surplus**	**Rate %**	**Effect on Surplus**
Cash and cash equivalents	**1%**	104,145	**1%**	149,58
Inventories	**1%**	3,513	**1%**	3,826
Trade and other receivables from exchange transactions	**1%**	126,265	**1%**	99,805
Floating Rate Financial Liabilities				
Unspent conditional grants and receipts	**1%**	(199,722)	**1%**	(146,675)
Provisions	**1%**	(1,876)	**1%**	(12,450)
Trade and other payables from exchange transactions	**1%**	(705,588)	**1%**	(814,814)

Figures in Rand	2015	2014 as restated

31. Commitments

31.1 Authorized capital and operating expenditure

Unspent conditional grants and receipts		
Provincial Grants	14,034,791	1,197,243
National Grants	4,656,809	12,189,697
DLG Grants	1,280,579	1,280,579
	19,972,179	**14,667,519**

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

Capital commitments arising as a result of contractual obligation:		
Fibre Optic Project	5,248,393	962,030

31.2 Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5,597,448	4,722,826

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

32. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

There is currently a dispute between Sedibeng District Municipality and the Gauteng Department of Transport relating to the treatment of VAT on agency services. Council may be liable for an amount of R 36,460,593.

The rates and taxes account with Emfuleni is currently under dispute where the Vereeniging Aerodrome is registered at the deeds office as one whereby rates accounts is currently being subdivided into different stands. Charge out of fees to a separate account was also done whereby certain accounts are not payable by Sedibeng District Municipality. The amount currently in dispute amounts to R 15,536,671

Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgment on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation. The wage curve agreement have not yet been implemented at the Sedibeng District Municipality as job evaluations have not yet been done and therefore it is consequently impracticable to reliably measure the obligation that might exist as a result of the wage curve agreement.

Contingent assets

Emergency Medical Services has been transferred to the Department of Health whereby unfunded expenditure related to the previous year’s might be recoverable which amounts to R 13,5Million.

33. Prior year amendments

33.1 Prior period errors

The Municipality has entered into an agreement with the Department of Transport relating to agency services rendered on behalf of the Department of Transport whereby VAT was not treated in accordance with the signed agreement. In light of the above an amount of R13,825,848 was raised as a creditor (201213 financial year R5,633,067 and 201314 financial year an additional amount of R8,192,781). This has further result in an overpayment to SARS whereby once the creditor is settled an amount of R1,697,911 can be recovered from SARS. This has resulted in agency services revenue being reduced with R12,127,937

A VAT review has further resulted in a refund received during the year which relate to prior periods. The amount recovered amounts to R609,741.

Municipal Health services for the 2013/14 financial year was only paid in the 2014/15 financial year which result in creditors being underprovided to the amount of R 1,340,787

Standard Bank did not pay interest on the municipality bank accounts whereby a recalculation was done in the 2014/15 financial year. Interest received related to the 2013/14 financial year amounts to R103,992 whereby a debtor was created to rectify the revenue accordingly. Support grants of R15,000 received was utilized in the 2014 financial year but not recorded as such.

33.2 Change in accounting policy (Adjustments)

Heritage assets were restated to correctly account for the applicable values of all assets. Correction made amounts to R4,462,880. These assets were previously accounted for under the transitional provisions included in Directive 4 that gave the municipality 3 years to value Heritage assets.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following newly effective standard.

GRAP 103 - Heritage Assets.

During the year the transitional provision came to an end (30 June 2015). Provisional amounts were adjusted retrospectively in the current year, where applicable.
The correction of the error(s) and change in accounting policy results in adjustments are as follow:

Statement of changes in net assets

Opening Balance 1 July 2013	**135,641,417**
Department of Transport - Licensing agency fees (Creditor)	-5,633,067
Heritage assets (change in accounting policy)	4,462,880
SARS - Licensing agency fees (Debtor)	691,780
SARS (Vat Review)	609,741
Vat on Debtors	2771
Restated Closing balance 1 July 2013	**135,775,522**
Surplus (Deficit) for the year 2014	**-28,014,398**
Department of Transport – Licensing agency fees Creditor)	-8,192,781
Local Municipalities – MHS Services (Creditor)	-1,340,787
SARS – Licensing agency fees (Debtor)	1,006,131
Standard Bank – Interest receivable (Debtor)	103,992
Support grants received	15,000
Restated Surplus (deficit) for the year 2014	**-36,422,843**

34. Going concern

We draw attention to the fact that at 30 June, 2015, the municipality had accumulated surplus of R 92,421,980 and that the municipality's total assets exceed its liabilities by R 92,421,980.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 6 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 6 years were reduced far lessor than the CPI for each financial period. In addition salary increases for the South African Local Bargaining Council was implementing salary increases more than the equitable share growth allocated to municipalities over the last 6 years – UNCONTROLABLE to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 5 years which is still in place (HR dashboard-attrition, leave management, etc and financial snapshot position of municipality performed monthly. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations based on the grants received. The grants has been ring-fenced and are adequately apportioned for its main purpose. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

Figures in Rand	2015	2014 as restated

35. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties still need to be transferred to their rightful owner, Emfuleni Local Municipality**.**

36. Unauthorised expenditure

None incurred in reporting period

37. Fruitless and wasteful expenditure

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 143,141 is currently being recovered from employees related to training cost. See annual report for details on all recoveries during the year.

38. Irregular expenditure

None incurred in reporting period

39. Accumulated surplus

Ring-fenced internal funds within accumulated surplus - 2015

Government Grant Reserve	**Movement of ring-fenced internal funds**	**Total**
Opening balance	1,837,691	1,837,691
Offsetting of depreciation	(527,766)	(527,766)
Asset Disposal	(6,027)	(6,027)
	1,303,898	**1,303,898**

Ring-fenced internal funds within accumulated surplus - 2014

Government Grant Reserve	**Movement of ring-fenced internal funds**	**Total**
Opening balance	2,130,690	2,130,690
Offsetting of depreciation	(533,780)	(533,780)
Capital grants used to purchase property, plant and equipment	243,153	243,153
Asset Disposal	(2,372)	(2,372)
	1,837,691	**1,837,691**

40. Additional disclosure in terms of Municipal Finance Management Act

40.1 PAYE and UIF & Skills levy

Current year subscription / fee	33,161,595	31,631,204
Amount paid - current year	(33,161,595)	(31,631,204)
	-	-

40.2 Pension and Medical Aid Deductions

Current year subscription / fee	57,382,370	54,494,518
Amount paid - current year	(57,382,370)	(54,494,518)
	-	-

Figures in Rand	2015	2014 as restated

40.3 VAT

	2015	2014 as restated
VAT receivable	1,737,728	-
VAT payable	-	290,764
	1,737,728	**290,764**

All VAT returns have been submitted by the due date throughout the year.

40.4 Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	54	54 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	**54**	

40.5 Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

Emfuleni Local Municipality	R 5,868,956
Midvaal Local Municipality	R 744,440

The Local Municipalities is rendering Municipal Health services and specialized fire services on behalf of the Sedibeng District Municipality. The expenses incurred amounts to R 16,706,557 as shown in note 25 (specialist services).

The Municipality is rendering an agency service on behalf of the Department of Transport for the performance of registering and testing authority functions (RA, DLTC and VTS functions) – see license and permit income where R56,875,639 was paid for services rendered in the 2014/15 financial year.

The Municipality is rendering a service on behalf of the Department of Health specifically related to Emergency Medical Services dispatching. An amount of R 678,544 was levied for the financial year.

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 21.

Section 57 employees' (Key Management) remuneration packages are shown separately in note 20. Section 57 employees are required to enter into an annual performance contract where pre-determined objectives are linked to the integrated development Plan. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

Audit Committee members have received an allowance of R 121,000 for the year under review.

The Council is in the process of establishing a State Owned Company (SOC), "The Vaal River City Tourism Promotion Company SOC" which will operate as a municipal entity to render the local tourism function. The CIPC Commissioner has registered the entity taking effect as from 30 August 2013, however, the establishment of the entity as per section 84(2) MFMA have as yet not been concluded and operations were not undertaken in terms of sections 85 through to 104 MFMA and hence there are no further disclosures to be made in terms of section 92 MFMA for the year ended 30 June 2015.

Notes to the Financial Statements

Figures in Rand

40.6 Declaration of business conducted to close family members of persons in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

1. Awards to close family members of persons in the service of the state

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure 17530	Spouse to the Director/Shareholder	R 27,600.00

2. Awards to persons in the service of the state

Company Name	Initials & Surname	ID Number	Current Employer	Amount Paid 2014/15
IMBALIYETHU TRADING ENTERPRISE CC	NB TOBIA	6012240851088	KZN: EDUCATION	29,500
IMBALIYETHU TRADING ENTERPRISE CC	M MOFOKENG	7905170353083	FS: SPORT, ARTS,CULTURE & RECREATION	29,500
BONGANI MAKHUNGA TRADING ENTERPRISES CC	MM KUBHEKA	6705290400082	GP: EDUCATION	111,990
TWIN NETWORK SERVICES AND PROJECTS (PTY) LTD	EL ADIUBA-YOUNG	8010260738084	GP: HEALTH	25,850
MAWEMUNE MANUFACTURING AND SUPPLY CC	MC MASHELE	7810285442088	NAT: STATISTICS S.A.	52,819
MKHARI AND DAUGHTERS CONSTRUCTION AND PROJECTS CC	Oupa Mkhari	7207255405080	Rand Water Board	41,400
KUKULA TRADING AND PROJECTS CC	NDABENI MOLEFE GODFREY MBO	8005195442083	Independent Electoral Commission	40,561
KGATHALLO DISTRIBUTORS CC	SERAME JEROME KOEITHING	7806045241083	Midvaal Local Municipality	38,887
MOJAKEPENG SERVICES CO-OPERATIVE LTD	MM MALEMA	7209295473086	NW: EDUCATION & TRAINING	15,450
LEKOA MULTI MEDIA & COMMUNICATION DEVELOPMENT CENT	MARIA DIEKETSENG MABULA	7601070924087	Eskom Enterprises	6,750

Notes to the Financial Statements

Figures in Rand

Company Name	Initials & Surname	ID Number	Current Employer	Amount Paid 2014/15
MDQ CONSULTING (PTY)LTD	ALUTA MOAHLOLI	8201145845083	Ekurhuleni Metro	157,858
NDALO HOTEL AND CONFERENCING	MRS HC THABETHE	7712120528081	Bushbuckridge Local Municipality	103,900
TWIN NETWORK SERVICES AND PROJECTS (PTY) LTD	EL ADIUBA-YOUNG	8010260738084	GP: HEALTH	25,850
SUZ-MAN TRADING ENTERPRISE (PTY)LTD	Russel Zulu	7605155275083	City of Johannesburg Metro	33,808
MOSEPIDISHI SECURITY AND BUILDING CONSTRUCTION (PT	MGATA NELSON	6902165654089	Department of Defence	12,894
TSM ENTERTAINMENT (PTY) LTD	LEMPE TEBOHO OSCAR	7912095668082	Emfuleni Local Municipality	22,150
MOOIVAAL MEDIA (PTY) LTD	Ainsley Moos	7801155158086	Cassidra	411,713
LATERAL UNISON INSURANCE BROKERS (PTY)LTD	Nomzamo Mandela	3609260323089	Parliament	2,323,622
SCHINDLER LIFTS (SA)(PYY)LTD	M Mokoka	7401130300083	Passenger Rail Agency of SA	41,064

41. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Notes to the Financial Statements

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reason for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
DEVIATIONS APPROVED FOR THE MONTH OF AUGUST 2014							
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Shadewind 40 Pty Ltd T/A Nissan Vereeniging	18-Aug-14	The Vehicle had a mechanical breakdown in Nelspruit/ Mpumalanga threafter was towed to Prodckta Nisssan (Nelspruit) for diagnostics. Nissan Vereeniging was	MM	Corporate Service	R 2,451.60	Impractical to source quotes
	Zemdock CC T/A Sedgars	8-Aug-14	The date for the seminar was brought forward due to unavailability of of Main Speaker	MM	Community Services	R 69,540.00	Short notice for formal written quotations, 3 quotes were sourced by end user department.
DEVIATIONS APPROVED FOR THE MONTH OF SEPTEMBER 2014							
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Kululeka Transport T/A Mpembe's Transport	2-Sep-14	Lowest supplier misquoted which left the end user department with insufficient time to follow the SCM process	Acting MM	Community Services	R 36,800.00	Three quotes were obtained from Intenda system, Insufficient time to follow 7-day notice R30 000 - R200 000 formal written quotes
DEVIATIONS APPROVED FOR THE MONTH OF OCTOBER 2014							
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Isver Express Plumbing	2-Oct-14	Sewerage water blocking up into main building	MM	Corporate Service	R 1,356.00	Urgent Request
DEVIATIONS APPROVED FOR THE MONTH OF JANUARY 2015							
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Sure global Travel	9-Jan-15	Change of flight for Mr. Miya to Cape Town whch was schedued for 09-11--Jan 2015,	MM	Corporate Service	R 264.00	Wasteful and Fruitless expenditure.
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Sure global Travel	9-Jan-15	Cancellation of flight for the Chief Whip to Cape Town whch was schedued for 09-11--Jan 2015,due to emergency political meeting	MM	Office of the Chief Whip	R 4,223.00	Wasteful and Fruitless expenditure.
Total deviations						**R 114,634.60**	

Notes to the Financial Statements

42. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Statement of Financial Performance for the 2014/15 financial period							
Revenue							
Revenue from exchange transactions							
Sale of goods	3,080,700	-37,800	**3,042,900**	2,416,400	**626,500**	20.59%	Less fuel sold than budget due to an equipment malfunction for aviation fuel at the Vereeniging Aerodrome
Rental of facilities and equipment	9,533,472	-692,659	**8,840,813**	8,927,595	**-86,782**	-0.98%	
Income from agency services	6,740,114	-311,134	**6,428,980**	6,613,396	**-184,416**	-2.87%	
Licenses and permits	69,102,542	-899,996	**68,202,546**	56,875,639	**11,326,907**	16.61%	Revenue reduction based on VAT treatment on agency services.
Other income - (rollup)	6,505,099	19,794,407	**26,299,506**	26,761,709	**-462,203**	-1.76%	
Interest received - investment	2,199,236	-	**2,199,236**	2,700,346	**-501,110**	-22.79%	Interest higher than anticipated based on investments made
Total revenue from exchange transactions	**97,161,163**	**17,852,818**	**115,013,981**	**104,295,085**	**10,718,896**		

Revenue from non-exchange transactions

42. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation revenue							
Government grants & subsidies	251,597,000	13,133,000	**264,730,000**	260,478,021	**-4,251,979**	-2.49%	
Total revenue	**348,758,163**	**30,985,818**	**379,743,981**	**364,773,106**	**-14,970,875**		
Expenditure							
Personnel	-207,256,301	588,546	**-206,667,755**	-209,350,369	**2,682,614**	-1.30%	
Remuneration of councillors	-11,580,705	-225,468	**-11,806,173**	-11,481,004	**-325,169**	2.75%	
Depreciation and amortisation	-26,766,440	-	**-26,766,440**	-28,583,637	**1,817,197**	-6.79%	
Finance cost	-	-	**0**	-16,580	**16,580**	0.00%	
Lease rentals on operating lease	-6,801,550	-1444906	**-8,246,456**	-7,008,077	**-1,238,379**		
Debt impairment Inventory	-	-	**0**	-41,334	**41,334**	0.00%	
Public Participation	-1,260,540	1,028,758	**-231,782**	-231,773	**-9**	0.00%	
Repairs and maintenance	-3,972,721	-1,572,632	**-5,545,353**	-4,108,494	**-1,436,859**	25.91%	Bophelong intermodal hub repairs anticipated did not realized in the financial year
Contracted Services	-35,567,208	-1,150,552	**-36,717,760**	-35,947,703	**-770,057**	2.10%	

Notes to the Financial Statements

42. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Grants and subsidies paid	-1,365,000	-1,400,000	**-2,765,000**	-9,907,635	**7,142,635**	-258.32%	Previous year NDPG roll over funds spent in current year recognized as revenue
Sales of goods/inventory	-2,646,000	-	**-2,646,000**	-2,177,189	**-468,811**		
General Expenses	-51,588,810	-26,769,964	**-78,358,774**	-62,081,591	**-16,277,183**	20.77%	Cost containment measures implemented based on cash flow availability
Total expenditure	**-348,805,275**	**-30,946,218**	**-379,751,493**	**-370,935,386**	**-8,816,107**		
Operating deficit	**-47,112**	**39,600**	**-7,512**	**-6,162,280**	**6,154,768**		
Loss on disposal of assets and liabilities	87,500		**87,500**	58,372	**29,128**	33.29%	Value of assets written of higher than anticipated
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**40,388**	**39,600**	**79,988**	**-6,103,908**	**6,183,896**		